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FM AMEMBASSY KATHMANDU
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1401
INFO RUEHLO/AMEMBASSY LONDON IMMEDIATE 3981
RUEHNE/AMEMBASSY NEW DELHI IMMEDIATE 9707
RUEHLM/AMEMBASSY COLOMBO IMMEDIATE 4585
RUEHKA/AMEMBASSY DHAKA IMMEDIATE 9689
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RUEHIL/AMEMBASSY ISLAMABAD IMMEDIATE 2572
RUEHKO/AMEMBASSY TOKYO IMMEDIATE 0858
RUEHML/AMEMBASSY MANILA IMMEDIATE 1686
RUEAIIA/CIA WASHDC IMMEDIATE
RHEHNSC/NSC WASHDC IMMEDIATE
RHEFDIA/DIA WASHDC IMMEDIATE
RUEKJCS/SECDEF WASHDC IMMEDIATE
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C O N F I D E N T I A L KATHMANDU 001196

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MANILA FOR ADB

E.O. 12958: DECL: 05/10/2016
TAGS: [ECON](#) [PGOV](#) [EAID](#) [PREF](#) [MASS](#) [NP](#)
SUBJECT: NEW MINISTERS REQUEST U.S. ASSISTANCE

REF: KATHMANDU 1190

Classified By: Ambassador James F. Moriarty, Reasons, 1.4 (b/d).

Summary

1. (C) Fourth-time Finance Minister Ram Sharan Mahat and Minister for Physical Planning and Works Gopal Man Shrestha both separately asked the Ambassador for U.S. support in May 9 meetings. The Ambassador agreed it was important the government show it could deliver services to the people and show progress on an economic and development program, especially in case negotiations with the Maoists fail. Mahat stressed that the Government of Nepal (GON) faced a "serious cash crunch," and that the GON needed budgetary support. Shrestha identified several areas that would have an immediate, visible effect. He requested U.S. support for Bailey bridges, roads, and low-cost housing for internally displaced people (IDPs). End Summary.

Budgetary Assistance?

2. (C) Mahat bemoaned the GON's "serious cash crunch," given the GON's fall in revenues and increase in expenditures. He asked whether there was any likelihood of cash support from the U.S. The Ambassador explained that the U.S. almost never provided direct budgetary support, and pointed Mahat in the direction of the Asian Development Bank and the World Bank. The Ambassador also noted that he had heard that the Government of India was considering budgetary support. Mahat confirmed that was so, but worried the GOI assistance would take time. He stressed the GON's immediate need for cash before the end of Nepal's fiscal year in mid-July. Mahat said it looked as if the ADB could provide between nine and eleven million dollars of assistance. He needed to continue his discussions with the World Bank, but the Bank had conditions. Referring to the World Bank's conditions, the Ambassador encouraged the Finance Minister to make progress on willful bank defaulters. Mahat expressed interest in determining whether any of the willful defaulters had large holdings outside Nepal, including in the U.S. The Ambassador said the USG would try to respond if the GON provided us with

a request containing specific information, including names and bank information.

Roads

13. (C) Both Mahat and Shrestha emphasized the importance of road projects in reconstructing and building rural infrastructure. Mahat said road projects were "the type of project we need" because they employed thousands of people and addressed people's needs. Physical Planning and Works Secretary Janak Raj Joshi, who joined Shrestha for part of

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the meeting, stated that roads were the Maoists' enemy. Building more roads would have the additional benefit of minimizing the possibility of conflict in the future. Shrestha added that transport was the starting point for development and job creation. The Ambassador noted that the U.S. was involved in building roads and assured the Ministers we would like to coordinate further. Bailey bridges were a priority area for the Ministry of Physical Planning and Works for both rehabilitation and emergency purposes, Shrestha stressed.

IDPS

14. (C) Both Ministers also stated the GON's desire for projects that addressed the needs of the internally displaced. Providing relief to IDPs could be a starting point for a broader rehabilitation effort should negotiations with the Maoists succeed. Shrestha asked for assistance with low-cost housing. Joshi said the GON had a resettlement plan in three areas, Hetauda (Makwanpur District on the road to India), Bhairawa (Rupandehi District in the terai), and

Dipayal (Doti District in the far western hills), where the Maoists "could feel comfortable with it." He argued that the housing would be a tangible effort to help the rural poor, who would be able to see an immediate impact.

Security Assistance

15. (C) The Ambassador repeated SCA A/S Boucher's offer to resume security assistance when the GON requested. Mahat demurred, but added that if negotiations with the Maoists did not go well, the GON would have to request security assistance. He added that in the current circumstances the GON did not want to do so.

16. (U) USAID Mission Director Clark joined the Ambassador's meeting with Finance Minister Mahat and Political/Economic Chief Shelton participated in both meetings.

Comment

17. (C) The GON, although focused on peace negotiations with the Maoists, appears to understand the importance of being able to show progress on development work. Finance Minister Mahat will hold a meeting with Embassies and donors the afternoon of May 12 to formally make the GON's case for beefed up international assistance.

MORIARTY